

A black silhouette of the state of Michigan is centered in the background of the slide. The title text is overlaid on the upper portion of the silhouette.

Analysis of Senate Bill 246

Education Funding Guarantee

Presented by

**Gary S. Olson, Director
Senate Fiscal Agency**

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Content of Senate Bill 246

Highlights of Senate Bill 246

- ▶ A sum sufficient is appropriated from School Aid Fund (SAF) to pay for the requirements of the School Aid Act (hereafter "the Act"); any deficiency in SAF is appropriated from the General Fund.
- ▶ **K-12**
- ▶ For FY 2005-06, total funding in the Act is guaranteed to increase from the FY 2002-03 level adjusted by the increase in the U.S. CPI.
- ▶ For years subsequent to FY 2005-06, total funding in the Act is guaranteed to increase by the lesser of inflation or 5.0% over the prior year.

Highlights of Senate Bill 246

- ▶ **K-12 (continued)**
- ▶ In addition to a total funding guarantee, individual pieces of the Act are guaranteed to increase: Basic Foundation Allowance, Discretionary Payment, At-Risk, Special Education, and Intermediate School District (ISD) General Operations funding. Similar to the total funding guarantee, these individual pieces are given inflationary increases from FY 2002-03 levels to FY 2005-06, and in subsequent years are increased by the lesser of 5.0% or inflation.

Highlights of Senate Bill 246

- ▶ **K-12 (continued)**
- ▶ A pupil funding guarantee is included if a school district loses more than 10.0% of its resident kids to other local districts or charter schools. Beginning in FY 2005-06, if the total pupils enrolled and counted in a school district is less than 90.0% of the total pupils residing in the district who are enrolled and counted in membership in either that district or one or more other districts, the district shall be guaranteed foundation allowance and special education funding as if 90.0% of the pupils residing in the district were actually enrolled and counted by the district for membership purposes.

Highlights of Senate Bill 246

▶ Community Colleges

- ▶ For FY 2005-06, total funding for community colleges is guaranteed to increase from the FY 2002-03 level (provided in Public Acts 161 of 2002 and 146 of 2003) adjusted by the increase in the U.S. CPI.
- ▶ For years subsequent to FY 2005-06, total funding for community colleges is guaranteed to increase by the lesser of inflation or 5.0% over the prior year.

Highlights of Senate Bill 246

▶ Public Universities

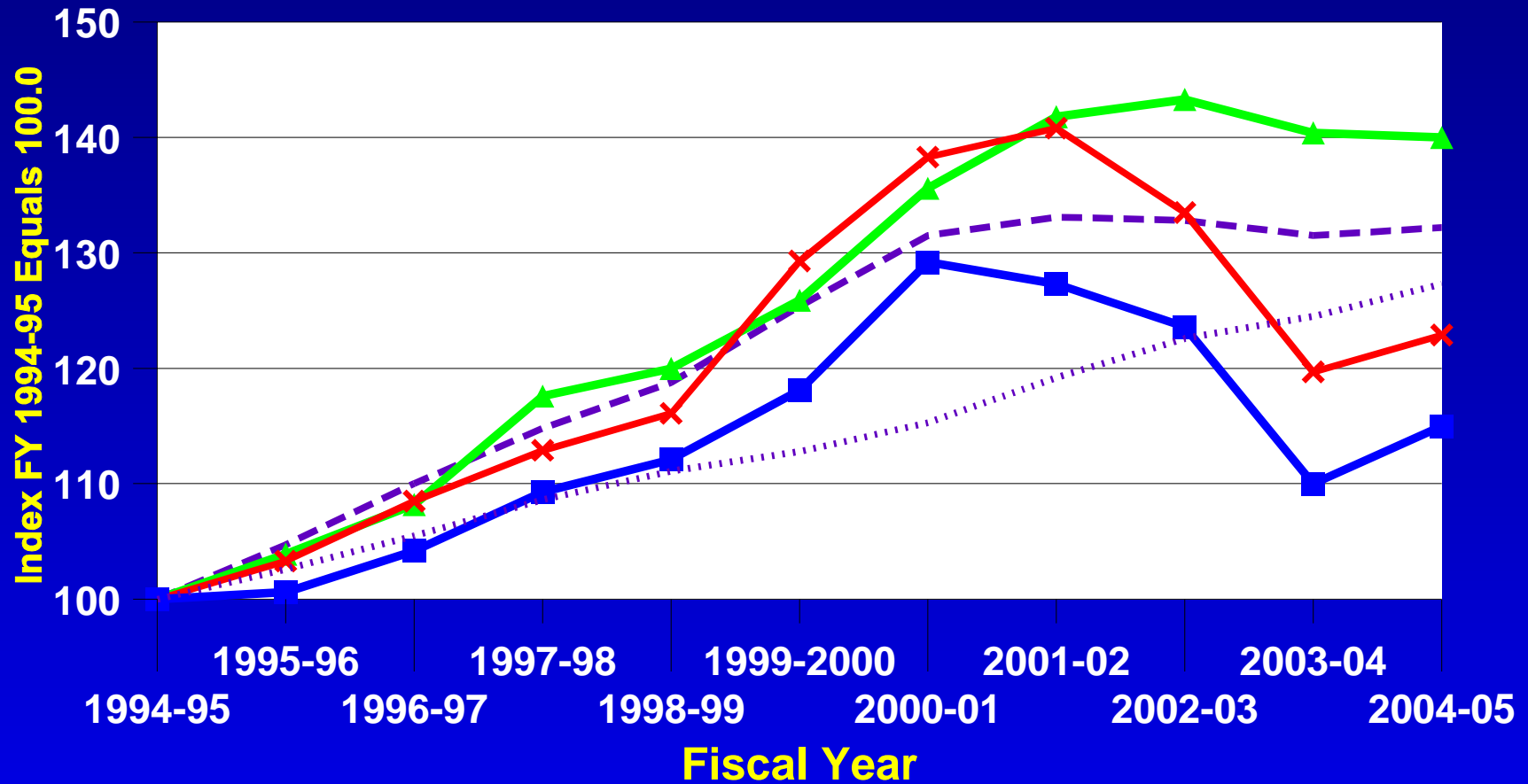
- ▶ For FY 2005-06, total funding for public universities is guaranteed to increase from the FY 2002-03 level (provided in Public Acts 144 of 2002 and 144 of 2003) adjusted by the increase in the U.S. CPI. (As defined in the bill, total funding for Michigan State University includes funding for the Agricultural Experiment Station and Cooperative Extension Service.)
- ▶ For years subsequent to FY 2005-06, total funding for public universities is guaranteed to increase by the lesser of inflation or 5.0% over the prior year.

Highlights of Senate Bill 246

- ▶ **Retirement Contributions to the Michigan Public School Employees' Retirement System**
- ▶ Each school district, community college, or participating public university would be responsible for paying into the MPERS the lesser of 80.0% of the total percentage points (determined by the Office for Retirement Services to fund retiree health and pension benefits) or 12.99%, applied to the schools' and colleges' salaries. The General Fund would pay the difference between what the schools' and colleges' required payments to the system would be under this Act, and the actual percentage points necessary to fund the retirement system.

Recent State Appropriation History

Recent State Appropriation History



--- Total State Spending

—x— Higher Education

..... US CPI

—▲— K-12 Spending

—■— Community Colleges

Michigan Public School Employees Retirement System

Recent History Employer Contribution Rates

Fiscal Year	Covered Wages*	Total Rate	Contribution*
1994-95	\$7,564,876	14.21%	\$1,074,969
1995-96	\$7,807,029	14.56%	\$1,136,703
1996-97	\$8,027,450	15.17%	\$1,217,764
1997-98	\$8,265,463	11.12%	\$919,119
1998-99	\$8,643,718	10.77%	\$930,928
1999-2000	\$8,984,737	11.66%	\$1,047,620
2000-01	\$9,264,183	12.16%	\$1,126,525
2001-02	\$9,707,281	12.17%	\$1,181,376
2002-03	\$10,032,470	12.99%	\$1,303,217
2003-04	\$10,150,430	12.99%	\$1,318,541
2004-05	\$10,454,940	14.87%	\$1,554,650

* In Thousands.

Fiscal Impact of Senate Bill 246

Assuming FY 1994-95 Effective Date

S.B. 246: Increased Funding Needed if in Effect from FY 1994-95 to FY 2004-05

Fiscal Year	K-12	Comm. Collg.	Higher Ed.	PSERS	Total
1994-95	\$0.0	\$0.0	\$0.0	\$214.8	\$214.8
1995-96	\$0.0	\$0.0	\$0.0	\$227.2	\$227.2
1996-97	\$0.0	\$0.0	\$0.0	\$244.0	\$244.0
1997-98	\$0.0	\$0.0	\$0.0	\$182.8	\$182.8
1998-99	\$25.9	\$0.0	\$0.0	\$184.7	\$210.6
1999-00	\$0.0	\$0.0	\$0.0	\$213.1	\$213.1
2000-01	\$0.0	\$0.0	\$0.0	\$227.6	\$227.6
2001-02	\$0.0	\$5.9	\$33.8	\$237.4	\$277.0
2002-03	\$205.3	\$25.0	\$134.5	\$260.8	\$625.6
2003-04	\$614.0	\$55.7	\$299.7	\$263.9	\$1,233.3
2004-05	\$915.1	\$68.3	\$370.4	\$310.5	\$1,664.2

Dollars in Millions.

Michigan Public School Employees Retirement System

Recent History Employer Contribution Rates

Fiscal Year	Total Rate	Employer Rate*	State Share*
1994-95	14.21%	11.37%	2.84%
1995-96	14.56%	11.65%	2.91%
1996-97	15.17%	12.14%	3.03%
1997-98	11.12%	8.90%	2.22%
1998-99	10.77%	8.62%	2.15%
1999-00	11.66%	9.33%	2.33%
2000-01	12.16%	9.73%	2.43%
2001-02	12.17%	9.74%	2.43%
2002-03	12.99%	10.39%	2.60%
2003-04	12.99%	10.39%	2.60%
2004-05	14.87%	11.90%	2.97%

* Rate Under Senate Bill 246.

Impact of Senate Bill 246 on FY 2005-06 State Budget

Senate Bill 246 Fiscal Analysis

Changes to Governor's FY 2005-06 GF/GP Budget

Recommendation

(Millions of Dollars)

Operational Appropriations:	
K-12 Appropriations	\$781.2
Higher Education Appropriations	\$370.4
Community College Appropriations	\$54.2
Subtotal Operational Appropriations	\$1,205.8
Public School Employees Retirement System Payments:	
K-12 School Districts	\$306.2
Higher Education	\$4.5
Community Colleges	\$17.9
Subtotal Retirement Payments	\$328.6
Total State GF/GP Budget Impact	\$1,534.4
Governor's FY 2005-06 GF/GP Appropriation Recommendation	\$8,875.1
Percentage Impact on Governor's Recommendation	17.3%

**Senate Bill 246 Fiscal Analysis
Public School Employees Retirement System
Potential State GF/GP Costs in
FY 2005-06 and FY 2006-07
(Millions of Dollars)**

Fiscal Year	Total Contribution Rate	Employees Share	State GF/GP Share	State GF/GP Cost
2005-06	16.34%	12.99%	3.35%	\$328.6
2006-07	19.00%	12.99%	6.01%	\$606.2

Note: FY 2006-07 Contribution Rate is SFA estimate based on recent trends.